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I

106TH CONGRESS  
1ST SESSION

# H. R. 1347

To provide for a Medicare subvention demonstration project for veterans, to improve the Department of Defense TRICARE program, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1999

Mr. PICKERING (for himself and Mr. MORAN of Kansas) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce, Armed Services, and Veterans' Affairs, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide for a Medicare subvention demonstration project for veterans, to improve the Department of Defense TRICARE program, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-  
2       tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the "Veterans Health Care  
5       Improvement Act of 1999".

## 1 SEC. 2. MEDICARE SUBVENTION DEMONSTRATION

## 2 PROJECT FOR VETERANS.

3 Title XVIII of the Social Security Act (42 U.S.C. 4 1395 et seq.) is amended by adding at the end the following new section:

6 "MEDICARE SUBVENTION DEMONSTRATION PROJECT FOR  
7 VETERANS

8 "SEC. 1897. (a) DEFINITIONS.—In this section:

9 " "(1) ADMINISTERING SECRETARIES.—The term  
10 'administering Secretaries' means the Secretary and  
11 the Secretary of Veterans Affairs acting jointly.

12 " "(2) DEMONSTRATION PROJECT; PROJECT.—  
13 The terms 'demonstration project' and 'project'  
14 mean the demonstration project carried out under  
15 this section.

16 " "(3) DEMONSTRATION SITE.—The term 'demonstration site' means a Veterans Affairs medical facility, including a group of Veterans Affairs medical facilities that provide hospital care or medical services as part of a service network or similar organization.

17 " "(4) MILITARY RETIREE.—The term 'military retiree' means a member or former member of the Armed Forces who is entitled to retired pay.

1                 “(5) TARGETED MEDICARE-ELIGIBLE VET-  
2     ERAN.—The term ‘targeted medicare-eligible vet-  
3     eran’ means an individual who—

4                 “(A) is a veteran (as defined in section  
5     101(2) of title 38, United States Code) and is  
6     described in section 1710(a)(3) of title 38,  
7     United States Code;

8                 “(B) has attained age 65;

9                 “(C) is entitled to benefits under part A of  
10    this title; and

11                 “(D)(i) is enrolled for benefits under part  
12    B of this title; and

13                 “(ii) if such individual attained age 65 be-  
14     fore the date of enactment of the Veterans’  
15     Equal Access to Medicare Act, was so enrolled  
16     on such date.

17                 “(6) TRUST FUNDS.—The term ‘trust funds’  
18     means the Federal Hospital Insurance Trust Fund  
19     established in section 1817 and the Federal Supple-  
20     mentary Medical Insurance Trust Fund established  
21     in section 1841.

22                 “(7) VETERANS AFFAIRS MEDICAL FACILITY.—  
23     The term ‘Veterans Affairs medical facility’ means a  
24     medical facility as defined in section 8101 of title  
25     38, United States Code.

1       **“(b) DEMONSTRATION PROJECT.—**2       **“(1) IN GENERAL.—**

3               **“(A) ESTABLISHMENT.—**The administering  
4               Secretaries are authorized to establish  
5               a demonstration project (under an agreement  
6               entered into by the administering Secretaries)  
7               under which the Secretary shall reimburse the  
8               Secretary of Veterans Affairs, from the trust  
9               funds, for medicare health care services fur-  
10               nished to certain targeted medicare-eligible vet-  
11               erans at a demonstration site.

12               **“(B) AGREEMENT.—**The agreement en-  
13               tered into under subparagraph (A) shall include  
14               at a minimum—

15               “(i) a description of the benefits to be  
16               provided to the participants in the dem-  
17               onstration project established under this  
18               section;

19               “(ii) a description of the eligibility  
20               rules for participation in the demonstration  
21               project, including any terms and conditions  
22               established under subparagraph (C) and  
23               any cost-sharing required under subpara-  
24               graph (D);

1                     “(iii) a description of how the demon-  
2                     stration project will satisfy the require-  
3                     ments under this title (including bene-  
4                     ficiary protections and quality assurance  
5                     mechanisms);

6                     “(iv) a description of the demonstra-  
7                     tion sites selected under paragraph (2);

8                     “(v) a description of how reimburse-  
9                     ment and maintenance of effort require-  
10                    ments under subsection (h) will be imple-  
11                    mented in the demonstration project;

12                    “(vi) a statement that the Secretary  
13                    shall have access to all data of the Depart-  
14                    ment of Veterans Affairs that the Sec-  
15                    retary determines is necessary to conduct  
16                    independent estimates and audits of the  
17                    maintenance of effort requirement, the an-  
18                    nual reconciliation, and related matters re-  
19                    quired under the demonstration project;

20                    “(vii) a description of any require-  
21                    ment that the Secretary waives pursuant  
22                    to subsection (d); and

23                    “(viii) a certification, provided after  
24                    review by the administering Secretaries,  
25                    that any entity that is receiving payments

1 by reason of the demonstration project has  
2 sufficient—

3 “(I) resources and expertise to  
4 provide, consistent with payments  
5 under subsection (h), the full range of  
6 benefits required to be provided to  
7 beneficiaries under the project; and

8 “(II) information and billing sys-  
9 tems in place to ensure the accurate  
10 and timely submission of claims for  
11 benefits and to ensure that providers  
12 of services, physicians, and other  
13 health care professionals are reim-  
14 bursed by the entity in a timely and  
15 accurate manner.

16 “(C) VOLUNTARY PARTICIPATION.—Par-  
17 ticipation of targeted medicare-eligible veterans  
18 in the demonstration project shall be voluntary,  
19 subject to the capacity of participating dem-  
20 onstration sites and the funding limitations  
21 specified in subsection (h), and shall be subject  
22 to such terms and conditions as the admin-  
23 istering Secretaries may establish. In the case  
24 of a demonstration site described in paragraph  
25 (2)(C)(i), targeted medicare-eligible veterans

1 who are military retirees shall be given preference  
2 for participating in the project conducted  
3 at that site.

4       “(D) COST-SHARING.—The Secretary of  
5 Veterans Affairs may establish cost-sharing requirements  
6 for veterans participating in the demonstration project. If such cost-sharing requirements are established, those requirements shall be the same as the requirements that apply to targeted medicare-eligible patients at medical centers that are not Veterans Affairs medical facilities.

13       “(E) DATA MATCH.—

14           “(i) ESTABLISHMENT OF DATA  
15 MATCHING PROGRAM.—The administering  
16 Secretaries shall establish a data matching program under which there is an exchange  
17 of information of the Department of Veterans Affairs and of the Department of Health and Human Services as is necessary to identify veterans (as defined in section 101(2) of title 38, United States Code) who are entitled to benefits under part A or enrolled under part B, or both, in order to carry out this section. The pro-

visions of section 552a of title 5, United States Code, shall apply with respect to such matching program only to the extent the administering Secretaries find it feasible and appropriate in carrying out this section in a timely and efficient manner.

1                             “(I) IN GENERAL.—The admin-  
2                             istering Secretaries may not conduct  
3                             the program unless the Inspector Gen-  
4                             eral of the Department of Health and  
5                             Human Services certifies to Congress  
6                             that the administering Secretaries  
7                             have established the data matching  
8                             program under clause (i) and have  
9                             performed a comparison under clause  
10                            (ii).

11                            “(II) DEADLINE FOR CERTIFI-  
12                            CATION.—Not later than December  
13                            15, 1999, the Inspector General of the  
14                            Department of Health and Human  
15                            Services shall submit a report to Con-  
16                            gress containing the certification  
17                            under subclause (I) or the denial of  
18                            such certification.

19                            “(2) NUMBER OF DEMONSTRATION SITES.—

20                            “(A) IN GENERAL.—Subject to subparagraphs  
21                            (B) and (C), and subsection  
22                            (g)(1)(D)(ii), the administering Secretaries  
23                            shall establish a plan for the selection of up to  
24                            10 demonstration sites located in geographically  
25                            dispersed locations to participate in the project.

1                     “(B) CRITERIA.—The administering Secretaries shall favor selection of those demonstration sites that consideration of the following factors indicate are suited to serve targeted medicare-eligible veterans:

6                     “(i) There is a high potential demand  
7                             by targeted medicare-eligible veterans for  
8                             the services to be provided at the demon-  
9                             stration site.

10                    “(ii) The demonstration site has suffi-  
11                             cient capability in billing and accounting to  
12                             participate in the project.

13                    “(iii) The demonstration site can dem-  
14                             onstrate favorable indicators of quality of  
15                             care, including patient satisfaction.

16                    “(iv) The demonstration site delivers  
17                             a range of services required by targeted  
18                             medicare-eligible veterans.

19                    “(v) The demonstration site meets  
20                             other relevant factors identified in the  
21                             plan.

22                    “(C) REQUIRED DEMONSTRATION SITES.—  
23                     At least 1 of each of the following demonstra-  
24                             tion sites shall be selected for inclusion in the  
25                             demonstration project:

1                         “(i) DEMONSTRATION SITE NEAR  
2                         CLOSED BASE.—A demonstration site that  
3                         is in the same catchment area as a mili-  
4                         tary treatment facility referred to in sec-  
5                         tion 1074(a) of title 10, United States  
6                         Code, which was closed pursuant to  
7                         either—

8                             “(I) the Defense Base Closure  
9                         and Realignment Act of 1990 (part A  
10                         of title XXIX of Public Law 101-510;  
11                         10 U.S.C. 2687 note); or

12                             “(II) title II of the Defense Au-  
13                         thorization Amendments and Base  
14                         Closure and Realignment Act (Public  
15                         Law 100-526; 10 U.S.C. 2687 note).

16                             “(ii) DEMONSTRATION SITE IN A  
17                         RURAL AREA.—A demonstration site that  
18                         serves a predominantly rural population.

19                             “(3) RESTRICTION.—No new buildings may be  
20                         built or existing buildings expanded with funds from  
21                         the demonstration project.

22                             “(4) DURATION.—The administering Secre-  
23                         taries shall conduct the demonstration project dur-  
24                         ing the 3-year period beginning on January 1, 2000.

1       “(c) CREDITING OF PAYMENTS.—A payment received  
2 by the Secretary of Veterans Affairs under the demonstra-  
3 tion project shall be credited to the applicable Department  
4 of Veterans Affairs medical appropriation and (within that  
5 appropriation) to funds that have been allotted to the  
6 demonstration site that furnished the services for which  
7 the payment is made. Any such payment received during  
8 a fiscal year for services provided during a prior fiscal year  
9 may be obligated by the Secretary of Veterans Affairs dur-  
10 ing the fiscal year during which the payment is received.

11       “(d) AUTHORITY TO WAIVE CERTAIN MEDICARE RE-  
12 QUIREMENTS.—

13       “(1) IN GENERAL.—Except as provided in para-  
14 graph (2), the Secretary may, to the extent nec-  
15 essary to carry out the demonstration project, waive  
16 any requirement under this title.

17       “(2) BENEFICIARY PROTECTIONS FOR MAN-  
18 AGED CARE PLANS.—In the case of a managed care  
19 plan established by the Secretary of Veterans Affairs  
20 pursuant to subsection (g), such plan shall comply  
21 with the requirements of part C of this title that re-  
22 late to beneficiary protections and other matters, in-  
23 cluding such requirements relating to the following  
24 areas:

25           “(A) Enrollment and disenrollment.

- 1                 “(B) Nondiscrimination.
- 2                 “(C) Information provided to beneficiaries.
- 3                 “(D) Cost-sharing limitations.
- 4                 “(E) Appeal and grievance procedures.
- 5                 “(F) Provider participation.
- 6                 “(G) Access to services.
- 7                 “(H) Quality assurance and external re-
- 8                 view.
- 9                 “(I) Advance directives.
- 10                “(J) Other areas of beneficiary protections
- 11                that the Secretary determines are applicable to
- 12                such project.

13                “(3) DESCRIPTION OF WAIVER.—If the Sec-

14                retary waives any requirement pursuant to para-

15                graph (1), the Secretary shall include a description

16                of such waiver in the agreement described in sub-

17                section (b)(1)(B).

18                “(e) INSPECTOR GENERAL.—Nothing in the agree-

19                ment entered into under subsection (b) shall limit the In-

20                spector General of the Department of Health and Human

21                Services from investigating any matters regarding the ex-

22                penditure of funds under this title for the demonstration

23                project, including compliance with the provisions of this

24                title and all other relevant laws.

1       “(f) REPORT.—At least 60 days prior to the com-  
2 mencement of the demonstration project, the admin-  
3 istering Secretaries shall submit a copy of the agreement  
4 entered into under subsection (b) to the committees of ju-  
5 risdiction in Congress.

6       “(g) MANAGED HEALTH CARE.—

7           “(1) MANAGED HEALTH CARE PLANS.—

8               “(A) IN GENERAL.—The Secretary of Vet-  
9 erans Affairs may establish and operate man-  
10 aged health care plans at demonstration sites.

11               “(B) REQUIREMENTS.—Any managed  
12 health care plan established in accordance with  
13 subparagraph (A) shall be operated by or  
14 through a Veterans Affairs medical facility, or  
15 a group of Veterans Affairs medical facilities,  
16 and may include the provision of health care  
17 services by public and private entities under ar-  
18 rangements made between the Department of  
19 Veterans Affairs and the other public or private  
20 entity concerned. Any such managed health  
21 care plan shall be established and operated in  
22 conformance with standards prescribed by the  
23 administering Secretaries.

24               “(C) MINIMUM BENEFITS.—The admin-  
25 istering Secretaries shall prescribe the min-

6                   “(D) INCLUSION IN NUMBER OF DEM-  
7                   ONSTRATION SITES.—

19                     “(2) DEMONSTRATION SITE REQUIREMENTS.—  
20                     The Secretary of Veterans Affairs may establish a  
21                     managed health care plan under paragraph (1)  
22                     using 1 or more demonstration sites and other pub-  
23                     lic or private entities only after the Secretary of Vet-  
24                     erans Affairs submits to Congress a report setting  
25                     forth a plan for the use of such sites and entities.

1       The plan may not be implemented until the Sec-  
2       retary of Veterans Affairs has received from the In-  
3       spector General of the Department of Veterans Af-  
4       fairs, and has forwarded to Congress, certification of  
5       each of the following:

6               “(A) The cost accounting system of the  
7       Veterans Health Administration (currently  
8       known as the Decision Support System) is oper-  
9       ational and is providing reliable cost informa-  
10      tion on care delivered on an inpatient and out-  
11      patient basis at such sites and entities.

12              “(B) The demonstration sites and entities  
13      have developed a credible plan (on the basis of  
14      market surveys, data from the Decision Support  
15      System, actuarial analysis, or other appropriate  
16      methods and taking into account the level of  
17      payment under subsection (h) and the costs of  
18      providing covered services at the sites and enti-  
19      ties) to minimize, to the extent feasible, the risk  
20      that appropriated funds allocated to the sites  
21      and entities will be required to meet the obliga-  
22      tion of the sites and entities to targeted medi-  
23      care-eligible veterans under the demonstration  
24      project.

1                   “(C) The demonstration sites and entities  
2                   collectively have available capacity to provide  
3                   the contracted benefits package to a sufficient  
4                   number of targeted medicare-eligible veterans.

5                   “(D) The Veterans Affairs medical facility  
6                   administering the health plan has sufficient sys-  
7                   tems and safeguards in place to minimize any  
8                   risk that instituting the managed care model  
9                   will result in reducing the quality of care deliv-  
10                  ered to participants in the demonstration  
11                  project or to other veterans receiving care under  
12                  paragraph (1) or (2) of section 1710(a) of title  
13                  38, United States Code.

14                  “(3) RESERVES.—The Secretary of Veterans  
15                  Affairs shall maintain such reserves as may be nec-  
16                  essary to ensure against the risk that appropriated  
17                  funds, allocated to demonstration sites and public or  
18                  private entities participating in the demonstration  
19                  project through a managed health care plan under  
20                  this section, will be required to meet the obligations  
21                  of those sites and entities to targeted medicare-eli-  
22                  gible veterans.

23                  “(h) PAYMENTS BASED ON REGULAR MEDICARE  
24                  PAYMENT RATES.—

25                  “(1) PAYMENTS.—

1                     “(A) IN GENERAL.—Subject to the suc-  
2                     ceeding provisions of this subsection, the Sec-  
3                     retary shall reimburse the Secretary of Vet-  
4                     erans Affairs for services provided under the  
5                     demonstration project at the following rates:

6                     “(i) NONCAPITATION.—Except as pro-  
7                     vided in clause (ii) and subject to subpara-  
8                     graphs (B) and (D), at a rate equal to 95  
9                     percent of the amounts that otherwise  
10                    would be payable under this title on a  
11                    noncapitated basis for such services if the  
12                    demonstration site was not part of this  
13                    demonstration project, was participating in  
14                    the medicare program, and imposed  
15                    charges for such services.

16                    “(ii) CAPITATION.—Subject to sub-  
17                    paragraphs (B) and (D), in the case of  
18                    services provided to an enrollee under a  
19                    managed health care plan established  
20                    under subsection (g), at a rate equal to 95  
21                    percent of the amount paid to a  
22                    Medicare+Choice organization under part  
23                    C with respect to such an enrollee.

24                    “(iii) OTHER CASES.—In cases in  
25                    which a payment amount may not other-

1 wise be readily computed under clauses (i)  
2 or (ii), the Secretaries shall establish rules  
3 for computing equivalent or comparable  
4 payment amounts.

5 “(B) EXCLUSION OF CERTAIN AMOUNTS.—

6 In computing the amount of payment under  
7 subparagraph (A), the following shall be ex-  
8 cluded:

9 “(i) DISPROPORTIONATE SHARE HOS-  
10 PITAL ADJUSTMENT.—Any amount attrib-  
11 utable to an adjustment under section  
12 1886(d)(5)(F) of the Social Security Act  
13 (42 U.S.C. 1395ww(d)(5)(F)).

14 “(ii) DIRECT GRADUATE MEDICAL  
15 EDUCATION PAYMENTS.—Any amount at-  
16 tributable to a payment under subsection  
17 (h) of such section.

18 “(iii) PERCENTAGE OF INDIRECT  
19 MEDICAL EDUCATION ADJUSTMENT.—40  
20 percent of any amount attributable to the  
21 adjustment under subsection (d)(5)(B) of  
22 such section.

23 “(iv) PERCENTAGE OF CAPITAL PAY-  
24 MENTS.—67 percent of any amounts at-

1 tributable to payments for capital-related  
2 costs under subsection (g) of such section.

3 “(C) PERIODIC PAYMENTS FROM MEDI-  
4 CARE TRUST FUNDS.—Payments under this  
5 subsection shall be made—

6 “(i) on a periodic basis consistent  
7 with the periodicity of payments under this  
8 title; and

9 “(ii) in appropriate part, as deter-  
10 mined by the Secretary, from the trust  
11 funds.

12 “(D) ANNUAL LIMIT ON MEDICARE PAY-  
13 MENTS.—The amount paid to the Department  
14 of Veterans Affairs under this subsection for  
15 any year for the demonstration project may not  
16 exceed \$50,000,000.

17 “(2) REDUCTION IN PAYMENT FOR VA FAILURE  
18 TO MAINTAIN EFFORT.—

19 “(A) IN GENERAL.—To avoid shifting onto  
20 the medicare program under this title costs pre-  
21 viously assumed by the Department of Veterans  
22 Affairs for the provision of medicare-covered  
23 services to targeted medicare-eligible veterans,  
24 the payment amount under this subsection for

1 the project for a fiscal year shall be reduced by  
2 the amount (if any) by which—

3                 “(i) the amount of the VA effort level  
4 for targeted veterans (as defined in sub-  
5 paragraph (B)) for the fiscal year ending  
6 in such year, is less than

7                 “(ii) the amount of the VA effort level  
8 for targeted veterans for fiscal year 1998.

9                 “(B) VA EFFORT LEVEL FOR TARGETED  
10 VETERANS DEFINED.—For purposes of sub-  
11 paragraph (A), the term ‘VA effort level for  
12 targeted veterans’ means, for a fiscal year, the  
13 amount, as estimated by the administering Sec-  
14 retaries, that would have been expended under  
15 the medicare program under this title for VA-  
16 provided medicare-covered services for targeted  
17 veterans (as defined in subparagraph (C)) for  
18 that fiscal year if benefits were available under  
19 the medicare program for those services. Such  
20 amount does not include expenditures attrib-  
21 utable to services for which reimbursement is  
22 made under the demonstration project.

23                 “(C) VA-PROVIDED MEDICARE-COVERED  
24 SERVICES FOR TARGETED VETERANS.—For  
25 purposes of subparagraph (B), the term ‘VA-

1 provided medicare-covered services for targeted  
2 veterans' means, for a fiscal year, items and  
3 services—

16                "(3) ASSURING NO INCREASE IN COST TO MEDI-  
17                CARE PROGRAM —

18                   “(A) MONITORING EFFECT OF DEM-  
19                   ONSTRATION PROGRAM ON COSTS TO MEDICARE  
20                   PROGRAM.—

1           period of the demonstration project com-  
2           pared to the expenditures that would have  
3           been made for such veterans during that  
4           period if the demonstration project had not  
5           been conducted.

6           “(ii) ANNUAL REPORT BY THE COMP-  
7           TROLLER GENERAL.—Not later than De-  
8           cember 31 of each year during which the  
9           demonstration project is conducted, the  
10           Comptroller General shall submit to the  
11           Secretaries and the appropriate committees  
12           of Congress a report on the extent, if any,  
13           to which the costs of the Secretary under  
14           the medicare program under this title in-  
15           creased during the preceding fiscal year as  
16           a result of the demonstration project.

17           “(B) REQUIRED RESPONSE IN CASE OF IN-  
18           CREASE IN COSTS.—

19           “(i) IN GENERAL.—If the admin-  
20           istering Secretaries find, based on subpara-  
21           graph (A), that the expenditures under the  
22           medicare program under this title in-  
23           creased (or are expected to increase) dur-  
24           ing a fiscal year because of the demonstra-

21        "(i) EVALUATION AND REPORTS.—

22                   “(1) INDEPENDENT EVALUATION.—

23                     “(A) IN GENERAL.—The administering  
24                     Secretaries shall arrange for an independent en-  
25                     tity with expertise in the evaluation of health

1 care services to conduct an evaluation of the  
2 demonstration project.

3 “(B) CONTENTS.—The evaluation con-  
4 ducted under subparagraph (A) shall include an  
5 assessment, based on the agreement entered  
6 into under subsection (b), of the following:

7 “(i) The cost to the Department of  
8 Veterans Affairs of providing care to vet-  
9 erns under the project.

10 “(ii) Compliance of participating dem-  
11 onstration sites with applicable measures  
12 of quality of care, compared to such com-  
13 pliance for other medicare-participating  
14 medical centers that are not Veterans Af-  
15 fairs medical facilities.

16 “(iii) A comparison of the costs of  
17 participation of the demonstration sites in  
18 the program with the reimbursements pro-  
19 vided for services of such sites.

20 “(iv) Any savings or costs to the  
21 medicare program under this title from the  
22 project.

23 “(v) Any change in access to care or  
24 quality of care for targeted medicare-eli-  
25 gible veterans participating in the project.

1                     “(vi) Any effect of the project on the  
2                     access to care and quality of care for tar-  
3                     geted medicare-eligible veterans not par-  
4                     ticipating in the project and other veterans  
5                     not participating in the project.

6                     “(vii) The provision of services under  
7                     managed health care plans under sub-  
8                     section (g), including the circumstances (if  
9                     any) under which the Secretary of Vet-  
10                     erans Affairs uses reserves described in  
11                     paragraph (3) of such subsection and the  
12                     Secretary of Veterans Affairs' response to  
13                     such circumstances (including the termi-  
14                     nation of managed health care plans re-  
15                     quiring the use of such reserves).

16                     “(viii) Any effect that the demonstra-  
17                     tion project has on the enrollment in  
18                     Medicare+Choice plans offered by  
19                     Medicare+Choice organizations under part  
20                     C of this title in the established site areas.

21                     “(ix) Any additional elements that the  
22                     independent entity determines is appro-  
23                     priate to assess regarding the demonstra-  
24                     tion project.

1                     “(C) ANNUAL REPORTS.—The independent  
2                     entity conducting the evaluation under subpara-  
3                     graph (A) shall submit reports on such evalua-  
4                     tion to the administering Secretaries and to the  
5                     committees of jurisdiction in the Congress as  
6                     follows:

7                     “(i) INITIAL REPORT.—The entity  
8                     shall submit the initial report not later  
9                     than 12 months after the date on which  
10                    the demonstration project begins operation.

11                    “(ii) SECOND ANNUAL REPORT.—The  
12                    entity shall submit the second annual re-  
13                    port not later than 30 months after the  
14                    date on which the demonstration project  
15                    begins operation.

16                    “(iii) FINAL REPORT.—The entity  
17                    shall submit the final report not later than  
18                    3½ years after the date on which the dem-  
19                    onstration project begins operation.

20                    “(2) REPORT ON EXTENSION AND EXPANSION  
21                    OF DEMONSTRATION PROJECT.—Not later than 3½  
22                    years after the date on which the demonstration  
23                    project begins operation, the administering Secretaries  
24                    shall submit to Congress a report  
25                    containing—

1                     “(A) their recommendation as to—  
2                         “(i) whether to extend the demonstra-  
3                         tion project or make the project perma-  
4                         nent;  
5                         “(ii) whether to expand the project to  
6                         cover additional demonstration sites and to  
7                         increase the maximum amount of reim-  
8                         bursement (or the maximum amount of re-  
9                         imbursement permitted for managed health  
10                         care plans under this section) under the  
11                         project in any year; and  
12                         “(iii) whether the terms and condi-  
13                         tions of the project should be continued (or  
14                         modified) if the project is extended or ex-  
15                         panded; and  
16                     “(B) a detailed description of any costs as-  
17                         sociated with their recommendation made pur-  
18                         suant to clauses (i) and (ii) of subparagraph  
19                         (A).”.

20 **SEC. 3. IMPROVEMENT OF TRICARE PROGRAM.**

21             (a) IMPROVEMENT OF TRICARE PROGRAM.—(1)  
22             Chapter 55 of title 10, United States Code, is amended  
23             by inserting after section 1097a the following new section:

5       “(a) COMPARABILITY OF BENEFITS.—The Secretary  
6 of Defense shall, to the maximum extent practicable, en-  
7 sure that the health care coverage available through the  
8 TRICARE program is substantially similar to the health  
9 care coverage available under similar health benefits plans  
10 offered under the Federal Employees Health Benefits pro-  
11 gram established under chapter 89 of title 5.

12        "(b) PORTABILITY OF BENEFITS.—The Secretary of  
13 Defense shall provide that any covered beneficiary enrolled  
14 in the TRICARE program may receive benefits under that  
15 program at facilities that provide benefits under that pro-  
16 gram throughout the various regions of that program.

17       “(c) PATIENT MANAGEMENT.—(1) The Secretary of  
18 Defense shall, to the maximum extent practicable, mini-  
19 mize the authorization or certification requirements im-  
20 posed upon covered beneficiaries under the TRICARE  
21 program as a condition of access to benefits under that  
22 program.

“(2) The Secretary of Defense shall, to the maximum extent practicable, utilize practices for processing claims under the TRICARE program that are similar to the best industry practices for processing claims for health care

1 services in a simplified and expedited manner. To the max-  
2 imum extent practicable, such practices shall include elec-  
3 tronic processing of claims.

4       “(d) REIMBURSEMENT OF HEALTH CARE PRO-  
5 VIDERS.—(1) Subject to paragraph (2), the Secretary of  
6 Defense may increase the reimbursement provided to  
7 health care providers under the TRICARE program above  
8 the reimbursement otherwise authorized such providers  
9 under that program if the Secretary determines that such  
10 increase is necessary in order to ensure the availability of  
11 an adequate number of qualified health care providers  
12 under that program.

13       “(2) The amount of reimbursement provided under  
14 paragraph (1) with respect to a health care service may  
15 not exceed the lesser of—

16           “(A) the amount equal to the local usual and  
17 customary charge for the service in the service area  
18 (as determined by the Secretary) in which the serv-  
19 ice is provided; or

20           “(B) the amount equal to 115 per cent of the  
21 CHAMPUS maximum allowable charge for the serv-  
22 ice.

23       “(e) AUTHORITY FOR CERTAIN THIRD-PARTY COL-  
24 ECTIONS.—(1) A medical treatment facility of the uni-  
25 formed services under the TRICARE program may collect

1 from a third-party payer the reasonable charges for health  
2 care services described in paragraph (2) that are incurred  
3 by the facility on behalf of a covered beneficiary under  
4 that program to the extent that the beneficiary would be  
5 eligible to receive reimbursement or indemnification from  
6 the third-party payer if the beneficiary were to incur such  
7 charges on the beneficiary's own behalf.

8       “(2) The reasonable charges described in this para-  
9 graph are reasonable charges for services or care covered  
10 by the medicare program under title XVIII of the Social  
11 Security Act.

12       “(3) The collection of charges, and the utilization of  
13 amounts collected, under this subsection shall be subject  
14 to the provisions of section 1095 of this title. The term  
15 ‘reasonable costs’, as used in that section shall be deemed  
16 for purposes of the application of that section to this sub-  
17 section to refer to the reasonable charges described in  
18 paragraph (2).

19       “(f) CONSULTATION.—The Secretary of Defense  
20 shall carry out any actions under this section after con-  
21 sultation with the other administering Secretaries.”.

22       (2) The table of sections at the beginning of such  
23 chapter is amended by inserting after the item relating  
24 to section 1097a the following new item:

“1097b. TRICARE: comparability of benefits with benefits under Federal Em-  
ployees Health Benefits program; other requirements and au-  
thorities.”.

1       (b) EFFECTIVE DATE.—The amendments made by  
2 subsection (a) shall take effect one year after the date of  
3 the enactment of this Act.

4       (c) REPORT ON IMPLEMENTATION.—(1) Not later  
5 than 6 months after the date of the enactment of this Act,  
6 the Secretary of Defense, in consultation with the other  
7 administering Secretaries, shall submit to Congress a re-  
8 port assessing the effects of the implementation of the re-  
9 quirements and authorities set forth in section 1097b of  
10 title 10, United States Code (as added by subsection (a)).

11       (2) The report shall include the following:

12           (A) An assessment of the cost of the implemen-  
13 tation of such requirements and authorities.

14           (B) An assessment whether or not the imple-  
15 mentation of any such requirements and authorities  
16 will result in the utilization by the TRICARE pro-  
17 gram of the best industry practices with respect to  
18 the matters covered by such requirements and au-  
19 thorities.

20       (3) In this subsection, the term “administering Secre-  
21 taries” has the meaning given that term in section  
22 1072(3) of title 10, United States Code.

1 SEC. 4. SENSE OF CONGRESS REGARDING PROCESSING OF  
2 CLAIMS FOR VETERANS' BENEFITS.

3 (a) FINDINGS.—The Congress makes the following  
4 findings:

5 (1) Despite advances in technology, tele-  
6 communications, and training, the Department of  
7 Veterans Affairs currently requires 20 percent more  
8 time to process claims for veterans' benefits than the  
9 Department required to process such claims in 1997.

10 (2) The Department does not currently process  
11 claims for veterans' benefits in a timely manner.

12 (b) SENSE OF CONGRESS.—It is the sense of the  
13 Congress to urge the Secretary of Veterans Affairs to—

14 (1) review the program, policies, and procedures  
15 of the Veterans Benefits Administration of the De-  
16 partment of Veterans Affairs in order to identify  
17 areas in which the Administration does not currently  
18 process claims for veterans' benefits in a manner  
19 consistent with the objectives set forth in the Na-  
20 tional Performance Review (including objectives re-  
21 garding timeliness of Executive branch activities);

22 (2) initiate any actions necessary to ensure that  
23 the Administration processes claims for such bene-  
24 fits in a manner consistent with such objectives; and

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